

## Message Text

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ACTION TRSE-00

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C O N F I D E N T I A L COPENHAGEN 5481

LIMDIS

DEPARTMENT PLEASE PASS TREASURY

E.O. 11652: GDS  
TAGS: ECON, EFIN, DA, US  
SUBJECT: DANISH FINANCE MINISTER'S CALL ON SECRETARY BLUMENTHAL

1. I UNDERSTAND THAT THE DANISH EMBASSY IN WASHINGTON HAS BEEN ASKED FOR A RATIONALE AND JUSTIFICATION TO SUPPORT DANISH FINANCE MINISTER KNUT HEINESEN'S REQUEST FOR AN APPOINTMENT WITH TREASURY SECRETARY BLUMENTHAL DURING THE IMF/IBRD MEETINGS THE END OF SEPTEMBER IN WASHINGTON.

2. THE DANISH EMBASSY IN RETURN HAS REFERRED THIS REQUEST FOR JUSTIFICATION TO THE GOVERNMENT HERE, AND I HAVE BEEN HANDED A COPY OF A LETTER WHICH WOULD APPRENTLY PROVIDE THE BASIS FOR THE DANISH REPLY.

3. THE LETTER ADDRESSES MY HOST GOVERNMENT'S BALANCE OF PAYMENTS PROBLEMS AND ITS RECENT SUCCESS, IN CON- CERT WITH MAJOR PARTIES TO ITS RIGHT, IN OBTAINING PARLIAMENTARY AGREEMENT ON A NEW PROGRAM OF ECONOMIC STABLIZATION. THIS INVOLVES HIGHER TAXES AND OTHER MEASURES AIMED PRIMARILY AT LOWERING THE PAYMENTS BALANCE DEFICIT. IT APPEARS CLEAR THAT FACED WITH  
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THE HARD CHOICE BETWEEN JOB CREATION AND GENERAL ECONOMIC STABILIZATION, THE SOCIAL DEMOCRATIC GOVERNMENT BIT THE BULLET AND CAME DOWN ON THE SIDE OF THE LATTER.

4. THE LETTER ALSO REFERS TO THE DANISH BELIEF THAT FIDDLING WITH THE DANISH KRONER EXCHANGE RATE IS NOT

AN ANSWER TO DANISH EXPORT PROBLEMS AND NOTES THAT THE RECENT 5 PERCENT DEVALUATION WAS THE NECESSARY REACTION TO THE SWEDISH MOVE.

5. FINALLY, THE LETTER OBSERVES THAT DENMARK WILL CONTINUE TO HAVE A NEED FOR BORROWING ABROAD OF A CONSIDERABLE THOUGH DECLINING MAGNITUDE. THE DANES ARE CONSEQUENTLY INTERESTED IN A "QUIET DEVELOPMENT OF THE INTERNATIONAL CURRENCY AND CAPITAL MARKETS" AND HEINESEN WOULD LIKE TO DISCUSS THESE MATTERS DIRECTLY WITH BLUMENTHAL.

6. AS I MENTIONED IN AN EARLIER MESSAGE, HEINESEN DISPLAYED HIS GOOD WILL TOWARD US BY CONFIDING THAT IN THE EVENT OF SWEDISH DEVALUATION, THE DANES WOULD BE FORCED TO FOLLOW SUIT IN AN AMOUNT EQUAL TO HALF OF THE SWEDISH ACTION. THIS, OF COURSE, IS WHAT TOOK PLACE.

7. IN ADDITION TO THE PURELY SUBSTANTIVE ASPECTS OF HEINSEN'S REQUEST, I WISH TO COMMENT ON IT FROM THE LARGER VIEWPOINT OF US-DANISH RELATIONS. THE DANISH GOVERNMENT OBVIOUSLY REGARDS HEINSEN'S MEETING WITH BLUMENTHAL AS A MATTER OF CONSIDERABLE IMPORTANCE. ON TWO RECENT OCCASIONS OF GREAT IMPORTANCE TO THE UNITED STATES, THE DANES DISPLAYED UNDERSTANDING AND CONFIDENTIAL

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OFFERED FULL COOPERATION.

8. I AM SPEAKING OF OUR URGENT DEMARCHES WITH THE DANES IN ORDER TO GET THEIR SUPPORT FOR (1) THE ANGLO-AMERICAN PROPOSALS ON RHODESIA AND (2) THE PANAMA CANAL TREATY. ON THE FIRST, THE DANES CARRIED THE BALL FOR US ON RHODESIA AT THE SEPTEMBER 1-2 NORDIC FOREIGN MINISTERS' MEETING IN HELSINKI AND CONTRIBUTED TO THE ENDORSEMENT OF THE PROPOSAL AT THAT CONFERENCE. ON THE SECOND, THE DANES WERE ONE OF THE FEW, IF ANY, EUROPEANS WHO WERE PREPARED, QUICKLY AND FLEXIBLY, TO OFFER THEIR FULL ENDORSEMENT AT EVERY STEP OF THE WAY AS THE SIGNALS CONCERNING WHAT WE WANTED FROM THEM WERE SUCCESSIVELY CHANGED.

9. WE WILL ALSO BE ASKING FOR THEIR COMPLETE COOPERATION IN THE FURTHERANCE OF THE US-EC DIALOGUE DURING THE DANISH PRESIDENCY BEGINNING JANUARY 1. AND WE ALSO CONSULT CLOSELY WITH THEM, AND REQUEST THEIR SUPPORT, ON A MULTITUDE OF ISSUES OF IMPORTANCE TO THE UNITED STATES, WHETHER THEY BE IN THE CONTEXT OF THE UNITED NATIONS SYSTEM, CSCE, OR WHAT HAVE YOU.

10. IT SEEMS TO ME THAT COOPERATION AND DIPLOMACY  
HAVE TO BE A TWO-WAY STREET, AND THAT IT IS NOT  
UNREASONABLE FOR THE US GOVERNMENT TO ACCEDE TO ONE  
OF THE RARE REQUESTS OF IMPORTANCE THAT THE DANES  
MAKE TO US.  
DEAN

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## Message Attributes

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